

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 FEAE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
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FM AMCONSUL VANCOUVER

TO SECSTATE WASHDC 3434

INFO AMEMBASSY OTTAWA

AMCONSUL CALGARY

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E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJ: ENERGY: KITIMAT OIL PIPELINE PROJECT

REF: OTTAWA 1432

1. CONGEN ECONOFF ATTENDED APRIL 21 DINNER MEETING OF VANCOUVER BOARD OF TRADE'S ENVIRONMENTAL ADVISORY COMMITTEE WHERE GUEST SPEAKERS WERE KEN HALL (PRESIDENT, TRANS MOUNTAIN PIPE LINE CO.), JACK CRESSEY (KITIMAT PIPE LINE PROJECT MANAGER), AND GARY GALLON (CHAIRMAN OF SCIENTIFIC POLLUTION AND ENVIRONMENTAL CONTROL SOCIETY AND HEAD OF KITIMAT OIL COALITION).

2. BOTH HALL AND CRESSEY AGREED THAT OIL SUPPLY SITUATION OF U.S. NORTHERN TIER REFINERIES IS RAPIDLY APPROACHING CRITICAL STAGE AND THAT CANADA WILL HAVE TO BE IMPORTING UP TO 50 PER CENT OF ITS OWN OIL REQUIREMENTS BY THE MID-1980'S. HALL TOOK WELL-KNOWN POSITION THAT TRANS MOUNTAIN'S PROPOSAL TO REVERSE ITS PIPELINE FROM ARCO'S CHERRY POINT TERMINAL AND
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DELIVER 300,000 B/D TO U.S. MIDWEST WOULD MAKE MAXIMUM USE OF EXISTING FACILITIES, WOULD NOT REQUIRE ADDITIONAL OIL PORTS, AND WOULD INVOLVE NO ENVIRONMENTAL DISRUPTION. HE CHARACTERIZED IT AS A "LOW-COST SOLUTION THAT BUYS US SOME TIME." HE CONCEDED THAT TRANS MOUNTAIN DIFFERS WITH THE KITIMAT PROJECT ONLY IN THE TIME FRAME. "THEY BELIEVE IT NEEDS A LARGER SYSTEM (650,000 B/D). WE BELIEVE WE CAN HANDLE IT (WITH # 300,000

B/D)." HALL ALSO STATED THAT THE TRANS MOUNTAIN/ARCO PROPOSAL WILL BE SUBMITTED TO THE NEB IN TWO WEEKS'S TIME.

3. CRESSEY EMPHASIZED THAT THE KITIMAT LINE WILL HAVE A RESERVE CAPACITY OF 350,000 B/D FOR CANADIAN REFINERIES WHICH WILL NEED THE OFF-SHORE SUPPLY SOONER RATHER THAN LATER. HE PREDICTED THAT THE EASTWARD FLOW THROUGH THE NEW SARNIA-MONTREAL PIPELINE WILL HAVE TO CEASE AFTER 1979 AND THAT AFTER 1983 CANADA WILL NOT EVEN HAVE SUFFICIENT OIL SUPPLY TO SERVE THE ONTARIO MARKET. HE FLATLY DECLARED THAT KITIMAT IS THE BEST PORT FOR SERVING U.S. AND ANTICIPATED CANADIAN NEEDS, BASED ON ITITIAL STUDIES, AND THAT A "POLITICAL DECISION" IS NOW NEEDED PROMPTLY BEFORE THE INDUSTRY IS CALLED UPON TO EXPEND EVEN MORE FUNDS ON EXPENSIVE STUDIES TO BACK ITS CASE.

4. GALLON, IN A SURPRISINGLY POOR PRESENTATION, REPEATEDLY DECLARED THAT THE PORTS AT KITIMAT AND CHERRY POINT ARE "ENVIRONMENTALLY INSANE FOR TANKER USE." AS IN THE PAST, HE ADVOCATED THE USE OF PORT ANGELES AS THE "LEAST WORST" CHOISE, WHILE AT THE SAME TIME DENYING THE NEED AT ALL FOR ANY OFF-SHORE OIL FOR THE CANADIAN MARKET IF CONSERVATION IS SERIOUSLY PRACTICED. GALLON ALSO SUGGESTED THAT SERIOUS CONSIDERATION BE GIVEN TO DIVERTING ALASKAN OIL TO EDMONTON VIA A SPUR LINE FROM FAIRBANKS FOLLOWING THE ALCAN HIGHWAY ROUTE TO FORT ST. JOHN.

5. COMMENT: INTERESTINGLY, A STAFF OFFICER OF THE B.C. ENVIRON-
MENT AND LAND USE SECRETARIAT (ELUS) COMMENTED TO CONGEN OFFICER
AT PRE-DINNER RECEPTION THAT IN HIS VIEW PORT ANGELES WOULD
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BE A BETTER CHOICE FOR ALL PARTIES CONCERNED. HE, TOO, SUGGESTED
THE POSSIBILITY OF AN ALASKA SPUR LINE FROM FAIRBANKS, AL-
THOUGH HE ACKNOWLEDGED THAT COSTS WOULD PROBABLY BE PROHIBITIVE;
IT IS NOT CLEAR WHERE THIS IDEA HAS ORIGINATED: WITH ELUS OR
GALLON.
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